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Federal Communications Commission
Office of Secretary

July 8, 2005

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Ex Parte

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Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Applications for Consent to Transfer of Control Filed by Verizon
Communications, Inc. and MCI, Inc.; WC Docket No. 05-75

Dear Ms. Dortch:

Verizon is providing the attached in response to certain questions and clarifications requested by staff in connection with Verizon's response to the Commission's May 5, 2005 initial information and document request, dated May 26, 2005. Please feel free to call me if you have any questions.

Sincerely,

cc: Tom Navin
Don Stockdale
Julie Veach
William Dever
Gail Cohen
Jim Bird
Michelle Carey

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SUPPLEMENTAL RESPONSE OF VERIZON TO THE COMMISSION'S MAY 5, 2005 INITIAL INFORMATION AND DOCUMENT REQUEST

This responds to certain questions and clarifications requested by the Staff in connection with Verizon's response to the Commission's May 5, 2005 initial information and document request, dated May 26, 2005. In addition to the responses provided below, Verizon is continuing to work on a few additional questions and clarifications requested by Staff, and will provide responses as soon as possible.

Question: With respect to the matrix provided as Exhibit 3.A.6, provide a narrative explanation as to how and why Verizon grouped services in the manner set forth in that exhibit.

Response: As Verizon explained in its original response, Verizon does not maintain databases or other records in the ordinary course of business that would enable it to report revenues or customers for the specific services identified in specification 2. In order to be responsive to the FCC's request, Verizon nonetheless grouped more than 250 specific services that it provides into the seven categories of services identified in specification 2. This process was necessarily subjective to some extent because many of the services that Verizon provides can be used for many purposes and do not fit neatly into specification 2's categories. In particular, while specification 2 purports to distinguish between voice and data services and between local and interexchange services, many of the services that Verizon provides can be used for both voice and data, or for both local and interexchange, or for any combination thereof. Verizon generally has no way of knowing how a particular customer uses the services it purchases. Verizon nonetheless attempted to group services into the categories in specification 2 based on what Verizon believes to be the principal use of each service. In doing so, Verizon used the following general guidelines:

Local Voice: Verizon included in this category traditional switched local exchange services sold to business customers; intraLATA toll services sold to business customers; and local wholesale services sold to CLECs and used to serve business customers, such as business UNE-P and business resale. These services were judged to be most likely used for voice calls that originate and terminate within the same LATA. Verizon also included within these categories services that are considered adjunct to these traditional switched local services, such as Caller ID. Examples of specific services included within this category are: monthly recurring local dial tone; local measured service; Centrex line charges; central office features such as Call Waiting and Home Voice Mail; and various nonrecurring charges for services such as Installation, Late Payment, and Return Check Charges.

Local Data: Verizon included in this category analog private line services that are purchased from intrastate tariffs. These are dedicated point-to-point circuits where at least one end is at an end user's premises. Verizon included only analog private lines in this category; digital private lines, which provide higher levels of capacity, are more typically used for interexchange data services.

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Interexchange and International Voice: Verizon included in this category switched long-distance services provided to business customers. These services are provided by Verizon Long Distance and include switched long-distance services sold through various long-distance plans as well as on a per-minute basis. Verizon also included in this category switched access service that Verizon provides on a wholesale basis to Interexchange Carriers. Verizon included both interstate and intrastate switched access services that are purchased from Verizon's federal and state switched access tariffs. Finally, Verizon included voice-grade (*i.e.*, DSO) special access services, as these services are commonly used as the tail ends of interexchange lines.

Interexchange and International Data: Verizon included in this category dedicated services – primarily special access, digital private line, and DSL – provided to business and wholesale customers. These services are more likely to be used predominantly for data services, and most such data services are interexchange in nature in that they originate and terminate in different LATAs. Examples of specific services included within this category are special access circuits provided at various speeds (DS0, DS1, DS3, OCn); ATM services; and Frame Relay services.

Converged voice and data: Verizon did not group any services into this category.

Systems integration/managed services: Verizon did not group any services into this category.

Equipment (including but not limited to value-added resellers): Verizon included in this category all equipment sales to business customers as well as related operations, installation, and maintenance associated with that equipment.

Other: Verizon included in this category various services that did not fit within any of the categories in specification 2. The single largest service included here is Billing and Collection, which Verizon provides to certain interexchange carriers on a contractual basis.

Question: With respect to the spreadsheet provided as Exhibit 3.B.1, what is the meaning of “local data” and “local voice,” which are the headings used to group various columns in that spreadsheet? Do the lines provided in the responses to specifications 3.b and 3.c include both local and interexchange lines?

Response: Specification 3.b asks Verizon to provide the number of DS0 equivalent lines for each class of business and wholesale customers as defined in response to specifications 1.a and 1.b, and for each of the services listed in specification 2. Specification 3(c) asks the same question with respect to “data lines.” The first two services listed in specification 2 are “local voice” and “local data.”

As described above, in order to respond to specification 2, Verizon grouped its various lines into “local data” and “local voice” categories based on the nature of the underlying circuit and the types of services it is most typically used to provide. As

Verizon has explained, however, Verizon does not in the ordinary course of business track "data lines" and "voice lines," and in general Verizon cannot distinguish a "data line" from a "voice line." Particularly with the advent of IP technology, virtually any line can now be used for both voice and data services, and Verizon typically does not have information on how customers are using their lines.

Likewise, "local" and "interexchange" may have varying definitions depending on the context. Regardless, virtually any line can be used for services that transmit voice or data between exchanges and those that do not. For purposes of Verizon's responses here, Verizon treated a circuit as a "local" line if it has beginning and end points that are within the same LATA. Verizon treated a circuit as an "interexchange" line if it originates and terminates in different LATAs.

The lines provided in response to specifications 3.b and 3.c, including Exhibit 3.B.1, represent circuits that, in all cases, have beginning and end points that are within the same LATA. Verizon therefore categorized these as "local" lines, as opposed to "interexchange" lines. As Verizon explained, it provides interexchange service through Verizon Long Distance, but Verizon Long Distance does not provide service to business or wholesale customers that can be stated in terms of DS0-equivalent lines or in terms of data lines. Some of the "local data" and "local voice" lines included in Verizon's responses are, however, used as "tails" for interexchange lines that are provided by Verizon Long Distance or other unaffiliated entities, at either the originating or terminating end of that interexchange line, or at both ends.

Question: With respect to the exhibits provided in connection with specification 3, resubmit all data provided on an MSA basis by splitting the column with the MSA name into three separate columns that separately indicate the name of the MSA, the state(s) in which the MSA is located, and the official MSA number.

Response: Supplemental Exhibits 3.A.2, 3.A.5, 3.B.2, 3.B.4, 3.B.5, 3.B.6, 3.B.7, 3.C.2, 3.C.3, and 3.C.4., which are attached to this letter, provide the data in the manner requested.

Question: Update the information that Verizon provided in response to specification 4.

Response: In its May 26, 2005 interrogatory response to the FCC, Verizon identified the instances between October 1, 2004 and April 30, 2005 in which the company submitted a bid to provide a requested retail service to a business customer in response to a Request For Proposal or Request For Quote (hereinafter "RFP") issued by that customer, and for which Verizon believed that MCI also may have submitted a bid in response to the same RFP. As explained in that submission, the list of instances of overlap identified by Verizon was derived by cross-referencing a list of all responses to RFPs submitted by Verizon during the relevant period with a list of all responses to RFPs submitted by MCI during the relevant period and identifying all instances in which both Verizon and MCI submitted bids to the same customer.

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As noted in the May 26, 2005 submission, the response initially provided by Verizon was likely to be over-inclusive, as it did not exclude bidding situations in which Verizon and MCI responded to different RFPs issued by the same prospective customer. Verizon indicated that it would endeavor to refine the information provided in Exhibit 4, and would supplement its response as necessary.

The attached supplement to Exhibit 4 (labeled Exhibit 4.1) contains an amended list of instances between October 1, 2004 and April 30, 2005 in which Verizon submitted a bid to provide a requested service to a business customer in response to an RFP issued by that customer, and for which Verizon believed that MCI also may have submitted a bid in response to the same RFP. In most instances, Verizon was able to ascertain whether a bid was for the same RFP. In some instances, however, the information required to resolve the ambiguities – especially as to whether a bid on the same RFP was for the same services – was not maintained in the ordinary course of business. Those bids that were for the same services, as well as those for which some ambiguity remains, are included in supplemental Exhibit 4.1. All known instances in which MCI and Verizon submitted a bid in response to the same RFP are included in supplemental Exhibit 4.1.

As expected, Verizon's further research and analysis of actual responses to RFPs submitted by Verizon and MCI revealed that on a number of occasions, while Verizon and MCI were submitting bids to provide telecommunications products or services to the same customer, the two companies were bidding on different RFPs issued by the same customer during the same general time period. Indeed, based on additional review, Verizon has been able to determine that in more than 94% of the instances in which Verizon submitted bids between October 1, 2004 and April 20, 2005, MCI did not appear. In other words, in the 539 instances in which Verizon submitted a bid in response to an RFP, MCI also submitted a bid in only 31 instances.

The entries included in supplemental Exhibit 4.1 were derived in the following manner:

1. For large commercial/government accounts, defined as bids that are valued at \$5 million or more, or that require a complex solution, Verizon queried its Custom Business Services/Customer Network Engineering database to generate a list of bids submitted during the relevant period in response to an RFP issued by a business customer. For small commercial/government accounts, defined as bids valued at less than \$5 million (which are not tracked centrally), Verizon requested that its account managers identify bids submitted during the relevant period in response to an RFP issued by a business customer. For federal accounts, Verizon gathered information from the proposal managers that are responsible for preparing bids. The collection process generated a total of 539 bids that Verizon submitted during the relevant period.

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2. To identify the universe of potentially competing bids, the list of 539 bids submitted by Verizon during the relevant period was cross-referenced with a list of 821 bids that MCI provided.
3. Verizon verified whether each individual bid was actually a match by comparing the underlying RFPs associated with the RFP responses submitted by Verizon with the underlying RFPs associated with the RFP responses submitted by MCI.

For each bid identified in supplemental Exhibit 4.1, Verizon has attempted to provide the information requested in subparts a-g of this specification. Verizon does not maintain some of the requested information in the ordinary course of business; while Verizon has attempted to compile this information, it is not available in all instances.

- a. Supplemental Exhibit 4.1 contains the services that were the subject of the bid.
- b. In order to ascertain the date on which Verizon submitted its response to each of the RFPs identified in supplemental Exhibit 4.1, Verizon has retrieved the proposals submitted in response to the RFPs included in supplemental Exhibit 4.1 and/or requested that the customer account manager involved with each individual bid provide the date on which the relevant proposal was submitted.
- c. Verizon groups its bids into three categories of customers, as specified above: (1) large commercial/government, which includes bids to provide more than \$5 million in services and bids that require complex solutions, regardless of value; (2) small commercial/government, which includes bids to provide less than \$5 million in services; and (3) bids submitted to federal government entities. For each bid submitted, supplemental Exhibit 4.1 identifies the appropriate category of customer.
- d. Where available, supplemental Exhibit 4.1 contains the value of the bid, stated in terms of the revenues to be generated from the contracted services to be provided by Verizon. Verizon does not track projected revenue generation separately within Verizon's region and outside Verizon's region, and has no reliable way to make such a revenue allocation, particularly because some bids involve end-to-end connectivity to multiple locations nationwide.
- e. Verizon generally is not informed by the business customer of the identities of competing bidders. Even when the customer provides this information, Verizon does not necessarily know for which services the competitor submitted a bid. Moreover, Verizon does not routinely track the identities of competing bidders. Verizon has requested that the customer account manager involved with each individual bid indicate

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whether he/she was aware of the identities of competing bidders and has included that information in supplemental Exhibit 4.1, to the extent available.

- f. Verizon does not track centrally the location(s) in which the service was or is scheduled to be provided. *Many of the RFPs are for multiple services at different locations. Verizon has undertaken a manual review of each RFP identified in supplemental Exhibit 4.1 and has reported the location(s) in which the service was or is scheduled to be provided, where it is noted on the RFP.*
- g. Verizon frequently is not informed by the business customer of the identity of the winning bidder. Even when Verizon does obtain this information, it does not routinely track it. Moreover, many of the bids listed in supplemental Exhibit 4.1 are pending, so the customer has not yet selected a winner. Verizon has requested that the customer account manager involved with each individual bid indicate whether he/she was aware of the identities of winning bidders and has included that information in supplemental Exhibit 4.1, where it was available. For cases where Verizon has been informed that it has not been awarded the contract resulting from the RFP at issue, but Verizon has no knowledge regarding the identity of the winning bidder, Verizon has reported the winning bidder as "Lost."

Question: With respect to specification 8.a.1, provide the number, type, and size of customers that obtain access to Verizon's Internet backbone using dedicated Internet access connections. Similarly, with respect to specification 8.a.2, provide the number and type of these dedicated circuits.

Response: Verizon's original response stated that it was unable to provide the number of customers that use dedicated circuits to access the Internet, or the number and type of such circuits. As Verizon explained, the dedicated circuits that Verizon provides to business customers for Internet connectivity can be, and often are, used for multiple additional services, including voice and non-Internet data services. Moreover, these lines can be used to access backbones other than Verizon's. In the ordinary course of business, Verizon does not track how the dedicated circuits that it provides are used, and therefore does not distinguish between dedicated circuits that are connected to the Internet and those that are used to provide other services.

Pursuant to the Staff's request that Verizon attempt to provide this information, Verizon has been able to obtain the following data. First, the table below provides the total number of accounts served by Verizon's Retail Markets group that purchase some form of dedicated Internet access, quarterly for 2004 and 1Q05.

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[Begin Confidential]

[End Confidential]

Second, supplemental Exhibit 8.A.1 provides, as of 1Q05, the number and types of dedicated Internet circuits provided to Retail Markets customers. Similar data are not available for 2004 because Verizon does not record these data in the ordinary course of business.

Third, ESG has been able to determine that it has **[Begin Confidential]** **[End Confidential]** customers that purchase dedicated Internet access services. ESG is unable to determine the number of circuits provided to these customers for dedicated Internet access. Verizon is, however, able to provide the revenues associated with these services, which are provided in the table below, quarterly for 2004 and 1Q05.

[Begin Confidential]

[End Confidential]

Question: With respect to Verizon's response to specification 8.c., which stated that Verizon does not provide transit service over its Internet backbone, provide the number of ISP customers to which Verizon provides Internet connectivity services and the corresponding amount of revenues.

Response: Verizon originally served ISP customers through ESG. At the end of 2004, however, Verizon divided these customers among three different sales organizations: ESG, Retail Markets, and Wholesale Markets. The majority of ISP customers were transferred to Retail Markets, as most of these customers tend to be relatively small ISPs. Approximately **[Begin Confidential]** **[End Confidential]** ISP customers were transferred to Wholesale Markets, because these customers also had other operations (e.g., as CLECs or IXC's) that gave them pre-existing relationships with Wholesale Markets. **[Begin Confidential]** **[End Confidential]** ISP customers – **[Begin Confidential]** **[End Confidential]** – were retained by ESG, either because their parent companies were pre-existing customers of ESG, or because they did not meet the profile of a Retail Markets or Wholesale Markets customer.

As of year-end 2004, Retail Markets served **[Begin Confidential]** **[End Confidential]** ISP customers. These customers generated **[Begin Confidential]** **[End Confidential]** in revenues in 2004. As of March 2005, Retail Markets

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served [Begin Confidential] [End Confidential] ISP customers who generated [Begin Confidential] [End Confidential] in revenues in the first quarter of 2005. Quarterly data for 2004 are not available.

As of year-end 2004, Wholesale Markets served [Begin Confidential] [End Confidential] ISP customers. These customers generated [Begin Confidential] [End Confidential] in revenues in 2004. As of March 2005, Wholesale Markets served [Begin Confidential] [End Confidential] ISP customers who generated \$72.2 million in revenues in the first quarter of 2005. Quarterly data for 2004 are not available.

With respect to the ISP customers served by ESG, ESG tracks revenues only for the parent companies of [Begin Confidential] [End Confidential], not the ISP units of these companies. With respect to [Begin Confidential] [End Confidential], Verizon's quarterly revenues for 2004 and 1Q05 are contained in supplemental Exhibit 8.C.1.

Question: With respect to specifications 8.a.4 and 8.a.5, provide the aggregate amount of traffic that Verizon exchanged with its peers and transit providers during each quarter of 2004 and the first quarter of 2005.

Response: In Verizon's original responses to these specifications, it provided the aggregate amount of traffic that it exchanged with peers and transit providers for the week of April 19, 2005, based on a one-time study it conducted during that week. Verizon performed this one-time study because the Concord system that Verizon uses to measure the traffic volumes that it exchanges with peers and transit providers keeps that data in storage for only a limited period of time. (In order to conserve storage space, data in Concord are consolidated in the first instance after one week, and a second time after 60 days, and with each consolidation the data become less reliable.) Verizon is therefore unable to provide the historical data that Staff has requested.

Question: In connection with Verizon's statement in its response to specification 15.a that it "obtains longhaul capacity nationwide from a number of major suppliers that offer services on a nationwide basis," provide the names of the carriers from whom Verizon purchases longhaul capacity together with the corresponding minutes that Verizon purchases from these carriers.

Response: Supplemental Exhibit 15.A.1 lists the carriers from whom Verizon purchases longhaul capacity and provides the minutes that Verizon purchases from each carrier quarterly for 2004 and 1Q05.

Question: Page 120 of the narrative references Exhibit 15.C.2, but no exhibit with that number is included in the filing.

Response: This is a clerical error. The reference should be to Exhibit 15.B.2.

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Question: Do Exhibits 18.B.2 and 18.B.3 include minutes and revenues provided pursuant to unlimited plans, or only minutes and revenues provided pursuant to usage-based plans?

Response: Exhibits 18.B.2 and 18.B.3 include minutes and revenues associated with all Verizon calling plans, including both unlimited plans and usage-based plans. The minutes included in Exhibit 18.B.2 are conversation minutes.

Question: Verizon's response to specification 18.d states that "Verizon offers only a single flat-rate plan for combined local and interexchange service, and this plan offers unlimited interexchange minutes." Does Verizon also offer combined local and interexchange plans that contain "buckets" of minutes?

Response: No. Verizon does not have combined flat-rate local and interexchange plans that contain buckets of minutes. Although Verizon offers buckets of interexchange minutes for a flat rate, it does not have any plans where a bucket of interexchange minutes is offered together with local service for a flat rate.

Question: What is the unit of measurement in Exhibit 19.C?

Response: The minutes and revenues in Exhibit 19.C are stated in thousands.

Question: Are the E911 listings provided in Exhibit 18.A.4 exclusively for customers within Verizon's franchise areas, or do they also include customers outside of Verizon's franchise areas?

Response: The E911 listings contained in Exhibit 18.A.4 represent the total number of E911 listings in Verizon's E911 databases for each state. Depending on the contracts and tariffs that Verizon has in place with various Public Safety Answering Points (PSAPs), in some states Verizon manages E911 listings exclusively for areas within its franchise territory, while in other states Verizon also manages E911 listings for areas outside its franchise territory. Similarly, in some instances carriers other than Verizon manage listings for portions of Verizon's service areas. The LNP data contained in Exhibit 18.A.4 is only for Verizon's franchise area.

Question: With respect to Exhibits 18.B.1-18.B.4, please provide the individual totals for each state outside of Verizon's local franchise territory, which are currently aggregated together in these exhibits as "out of franchise states" and "others," respectively.

Response: Supplemental Exhibits 18.B.5 and 18.B.6 provide these totals for Exhibits 18.B.1 and 18.B.4, respectively. Verizon has not yet finished compiling the totals for Exhibits 18.B.2 and 18.B.3, but will separately provide those totals when that process is complete.

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Question: Which of the documents that Verizon produced in response to specification 20.d are the key documents that tie to Exhibit 20.A.1?

Response: See documents that begin with the following Bates numbers: VZFCC-Q20-0000092, VZFCC-Q20-0002202, VZFCC-Q20-0001286, VZFCC-Q20-0000001, and VZFCC-Q-20-001926.

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SUPPLEMENTAL EXHIBIT 3.A.2

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SUPPLEMENTAL EXHIBIT 3.A.5

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SUPPLEMENTAL EXHIBIT 3.B.2

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SUPPLEMENTAL EXHIBIT 3.B.4

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SUPPLEMENTAL EXHIBIT 3.B.5

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SUPPLEMENTAL EXHIBIT 3.B.6

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SUPPLEMENTAL EXHIBIT 3.B.7

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SUPPLEMENTAL EXHIBIT 3.C.2

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SUPPLEMENTAL EXHIBIT 3.C.3

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SUPPLEMENTAL EXHIBIT 3.C.4

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SUPPLEMENTAL EXHIBIT 4.1

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SUPPLEMENTAL EXHIBIT 8.A.1

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Supplemental Exhibit 8.C.1

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SUPPLEMENTAL EXHIBIT 15.A.1

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SUPPLEMENTAL EXHIBIT 18.B.5

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SUPPLEMENTAL EXHIBIT 18.B.6

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